



Financial Management Systems Improvement Council
Meeting Notes
Arlington Hilton & Towers
Arlington, VA
March 6, 2001

Attendees: Tom Baranouskas-PNNL, Mike Bartos-ANL, Ralph Bonner-SNL, Jim Campbell-DOE HQ, Dave Carlson-Fermilab, Nancy Fitchpatrick-DOE OR, Paul Grefenstette-WSRC, Nikki Grover-INEEL, Jim Herring-LANL, Jim Lopez-LLNL, Brian Morishita-INEEL, Dean Olson-DOE AL, Brian Sack-BNL
Not present: Paul Keele-DOE ID, Paul Rosenkoetter-INEEL, Ron Ragland-BWXT Y12,
Guests: Gary Concannon-SNL, Lyn Henderson-DOE HQ, Mark Israel-BNL, Phil Schultz-LLNL

Ralph Bonner:

- Reminder all members to update the contractor software matrix with Brian.

Jim Campbell

FY 2000 Audited Financial Statements

- KPMG Completed Audit of the Department's FY 2000 Financial Statements
 - Results: Clean Audit Opinion, No Material Internal Control Weaknesses
 - Department in Compliance with the Provisions of the Federal Financial Management Improvement Act
- Governmentwide Metrics
 - All 24 CFO Act Agencies Submitted Financial Statements by March 1 Statutory Due Date
 - 18 received clean opinions, 3 received qualified opinions, 3 disclaimers
 - Substantial improvement from FY 1999
- Reportable Conditions
 - Unclassified Computer Security – Network Vulnerabilities (System Enhancements and Upgrades Needed to Reduce) and Access Control Weaknesses (Management should follow up on implementation of its Cyber Security Program to ensure that Federal information standards

are met and that information and information systems are adequately protected against unauthorized access.

-Performance Measurement Reporting – Continue to improve the development, presentation, and reporting of performance measures consistent with GPRA and Federal accounting standards.

-Financial Management at Western area Power Administration

- Several Management Letter Comments involving:

-Inaccuracies in Active Facilities Data and Potential Need to Include a Contingency in the Estimate

-Concern Whether Site Infrastructure and Certain EM Program Costs Should be included in Environmental Liability Estimate

-Identification and Recognition of Liabilities Relating to Surplus Nuclear Materials

-Accounting for Nuclear Materials held by Licensees

-Refine Process for Reconciliation of Intragovernmental Liabilities

- Several Issues Related to Fixed Assets and Deferred Maintenance

Overhead Review

Background

- FY 2000 House EWD Report Directs the Department to “review the costs included in the overhead charges of the management and operating contractors and report to the Committee on the reasonableness of these charges. In addition, the Department should determine which charges should more appropriately be funded as direct program costs.”
- The former Secretary identified the need for overhead reviews as one of his management efficiency initiatives.
- Field Reviews conducted during May and June, 2000 – Reports to HQ in early July
- Headquarters Teams (Budget, Accounting, Program) visited sites in late Summer, 2000 designed to:
 - Build HQ expertise, knowledge, and understanding of overhead and activities of each site
 - Ensure some level of consistency and comprehensiveness in reporting at each site
 - Provide the basis for the Department’s report to the Congress

Results of Reviews and Next Steps

- Field Reviews Concluded Overhead was Appropriate and Reasonable
- Headquarters Review Confirmed Majority of Overhead Charges are Appropriate
- Both Field and Headquarters Reviews Identified Some Areas of Concern
 - Direct Program Activities Such as Research in Overhead

- Items That Should be Borne by DOE, Not in Contractor Overhead
 - Appropriateness of Specific Items in Overhead
 - Items That Would More Appropriately be Included in Organizational Burden Vice Overhead
 - Areas Where Headquarters Guidance May be Needed
- Current Status
 - Draft Report on Five Sites Under Management Review
 - Plan to Continue Reviews on a Cyclical Basis
 - Chief Operating Officers, Director of Procurement, and Other Senior Officials Briefed
 - Next Steps
 - Brief Incoming Departmental Management on Results of Reviews
 - Report to Secretary
 - Report to the Congress

Safeguards and Security Update

Headquarters Draft Guidance Issued Through FMC on January 24, 2001

- Comments on Draft Guidance
 - Organizations either nonconcurred in guidance or expressed concern with SO's role in setting S&S priorities and acting as the lead organization for reprogrammings, supplementals, etc.
 - Concern to be worked out with LPSO's and SO regarding the detailed "FS" B&R Structure
 - Determination regarding the need to recast uncosted balances to the new "FS" and "WN-05" structure.
 - Additional WN-05 funding is needed at selected sites, which would exceed in total the \$40 million provided by the Congress.
 - Requested that guidance be revisited to consider use of Interior funding to cover S&S funding shortfalls.
 - Clarification needed on program direction funding for S&S activities outside of the "FS" series of B&Rs.
- Next Step – Resolve Comments and Issue Final Guidance
- FY 2002 – Due to Reduced Funding in the OMB Passback, the Department will continue charging S&S costs to WFO. If not, we would take an additional \$40+ million reduction to Departmental programs.

National Nuclear Security Administration

General Gordon issued draft NNSA organization charts about a month ago that have raised many questions. More details are needed on the functions listed on the charts and how operationally several of the NNSA units and offices would interact separately and distinctly from the Department or in concert with it.

- In areas that affect the CFO, there are more questions at the current time than answers.
- The NNSA organizational structure does address the requirement for a Future Years Nuclear Security Plan and the establishment of a program planning and budgeting system.
- On financial functions related to budget formulation, execution, oversight, auditing, and others, questions are not fully resolved. Once General Gordon appoints his PPBS Director, these issues will be addressed.
- **Under General Gordon's "Proposed Organization Plan" an Associate Administrator for Facility Operations will consolidate several offices, which are currently decentralized under NNSA program offices.**
- **Field Managers will report to the Associate Administrator.**
- **Four separate offices will consolidate the following activities: field operations support; infrastructure and facilities management; project management; and safeguards and security. The details of how this will be implemented will be developed further.**

Other areas of NNSA progress worthy of mention are:

- **Future Years National Security Plan:** This week DOE submits the Plan for OMB approval. (The plan is not aligned with the FY 2002 budget request nor its outyear projections.) Once DOD Secretary Rumsfeld's defense review is completed, the plan should be finalized.
- **Non-proliferation policy review:** DOE will participate with the National Security Council in reassessing arms control policies and programs, with emphasis on U.S.-Russia agreements and their impact on DOE's fissile materials disposition programs.
- **FY 2002 Budget:** Secretary Abraham has spearheaded efforts to increase the weapons activities budget. The lion's share of the Department's budget increase is in this area.
- **Testimony on Infrastructure:** General Gordon will kick off testimony before Congress on March 13th, when he will appear before the Senate Energy and Water Development Subcommittee and provide a compelling case for facility and infrastructure improvements, substantiated by well-documented reports over the past several years.

Program Adverse Impact Notification (PAIN)

Background

- Process Established by the Deputy Secretary in October 4, 2000 Correspondence
- Provides an Early Warning to Identify Significant or Material Problems Early in Fiscal Year

- PSOs to Submit a PAIN to the Secretary Through the PSO Within 60 Days Following Enactment of Appropriations Act
 - Secretary to be Advised of Three Scenarios Best Describing Program Status
 - No Significant Problems Anticipated at Appropriations Level - Plan to Make it Through Fiscal Year Using Available Funds
 - Significant Problems Exist Requiring Programs to be Curtailed
 - Situations Where the Department has no Alternative but to Seek Reprogramming or Supplemental Funding
- Deputy Secretary in Conjunction with the Secretary to Decide on Appropriate Course of Action
- Following PAIN Submissions and Secretarial Decision, Future Requests for Reprogramming or Other Actions to be Entertained only to Resolve New Shortfalls Resulting from Changing Condition

Results of FY 2001 Process

- Starting a new reprogramming process in the same year we are welcoming a new Administration has not been optimal. Although a thorough list of our needs was assembled, there have been some modifications. And, in recent weeks, discussions on the FY 2002 budget have taken precedence over our reprogramming requests. In spite of this, there is progress in many areas, including stockpile life extension program, pit manufacturing, transuranic waste characterization and packaging, safeguards and security, nuclear nonproliferation, etc.

FY 2002 Budget – Background Information

When the OMB Director testified before the Senate Budget Committee last week, he reported that the FY 2002 budget was settled -- albeit with the exception of the Department of Energy.

- Long and difficult negotiations with OMB began one month ago today, when Secretary Abraham sent his formal appeal to OMB's passback.
- The passback provided DOE with \$18.694 billion, \$972 million below the current year appropriations.
- The passback made several assumptions: that a pay raise was included; that many programs were to be 'held-harmless' from budget cuts; other programs were to be cut; and yet there would be room for several Presidential initiatives.
- The Secretary's appeal to OMB restated the President's priorities and described the tremendous difficulties the Department would face if forced to live at the OMB passback level.
- The '**good news**' is that – through the hard work of the Secretary and our CFO – we have regained substantial ground from the low funding level OMB wanted DOE to have.

- The ‘**bad news**’ is that – the details of this budget agreement will not be made public until April 2nd when the President’s budget is submitted to Congress.
- In these interim weeks, the CFO will be working with our respective program offices to develop the details of the budget and to ensure that the Bush Administration’s priorities are clearly stated.

What we do know and I can tell you is what you know already—the FY 2002 budget will:

- Increase Department-wide safeguards and security funding above FY 2001 levels, by providing enough for security investigations and to begin implementation of our cyber security program.
- Increase the stockpile stewardship program above FY 2001 appropriated levels – the clear winner in this budget debate.
- Keep the President’s commitment to increase funding for clean coal technologies substantially starting in FY 2002 and over the next ten years.
- Fund the privately managed Northeast Home Heating Oil Reserve and Greenhouse Gas Emissions research adequately.
- Ensure that our domestic uranium enrichment supply and commitments to Portsmouth, Ohio in the wake of its standby operations are adequately funded.
- Keep the President’s commitment to finalize reviews and licensing applications for our nation’s civilian radioactive waste repository on schedule.

The budget lays the groundwork for other activities in which DOE will:

- Participate with the Vice President’s Energy Policy Development Group in constructing a new national energy policy that includes the best of what the Department does, while reformulating and implementing a new strategy. The recommendations from this Group are expected in June.
- Take part in an interagency review (led by the National Security Council) on U.S. nonproliferation programs with particular emphasis on Russia and the Newly Independent States. The recommendations emanating from this review will significantly affect DOE’s fissile materials disposition program.
- Be a player in the defense technologies review directed by Secretary of Defense Donald Rumsfeld that will likely shape DOE’s Future Years Nuclear Security Plan. The review could be completed as early as April, and may provide justification for DOE’s projected outyear requirements.

The ***April 2nd budget deadline*** means that a lot of ‘filling in the blanks’ must take place beforehand. We may impose on you to help us.

Gary Concannon and Dean Olson

BMIS Phoenix (formerly FM)

- Agreement was reached on the 10 reporting categories of the institutional report. Agreement has not yet been reached on cost estimating reporting. Ike Smith is working on resolving comments provided by the PSO's. Requests for implementation cost estimates have been received from 15 of the 33 contractors. Need responses to this even if estimates appear as ranges. The estimates that were provided ranged from \$180K to \$4M with an average at \$2M.
- Multi org structure will go through the Field Management Council for review. Institutional costs and cost estimates will go through the DOE data warehouse. In Oracle multi org codes will be used to accommodate the three service centers (AL, OR and CAPS). Accounting flex field usage is being reviewed. The purchasing, fixed assets, A/P, A/R Oracle modules were purchase. The Oracle Financial Analyzer is being considered for budget formulation but will not be project centered.
- Obligations can only be recorded in the purchasing module and liquidated in the payroll module. Not exactly sure how to do this but will use the MARS transaction to accomplish this. Looking at real time or near real time funds control functionality. Team IBM met with DOE procurement and procurement will develop a business case. It was suggested using an internally developed application for budget formulation since no commercially available software exists for the government.
- Conference room pilots will occur within three months and will last two weeks each for test driving the software for system integration testing. About 60 people (full time and part time) working on BMIS. The project consists of the information technology management, design/configuration, and implementation teams. There are subteams under the design/config team. Feeds from to the SGL from the contractors will have to be cross-walked. FMSIC needs to remain in close contact with the budget formulation requirements.

John Pescosolido

BRC

- IWO policy changes were approved by Mike Telson. BRC developed a draft reprogramming process and will distribute it for review.
- Four self-directed work teams were established. (1) Contractor travel ceiling management. Jerry Hammond, lead. Looking for negative mission impacts from statutory restrictions. (2) GPP & GPCE internally funded. Current pilot is restricted to labs. Team led by Jeffrey Fernandez. This effort needs to be coordinated with FMSIC. (3) Reprogramming and the PAIN process and how to reengineer to more efficient. John Pescosolido is leading this effort. (4) Expanding financial management training. Looking at taking advantage of all of the training that is currently available throughout the complex. Led by Tom Foley and Jon Mathis.
- BRC added a DOE NNSA representative. Jerry Hammond of DOE-AL was this person.
- BRC suggested initiatives. (1) Disposal of surplus personal property and (2) contractor accounting for fees.

- The BRC will be looking for ways to support the BMIS Phoenix project.

Jim Lopez

Functional Cost Peer Review

- Concern was expressed that the required accuracy level would exceed 90% and that the data would have to be of audit quality. It was discussed whether FMSIC should continue to lead the peer reviews or if DOE should lead them. It was decided that the contractors would lead them and they would be conducted every three years and those contractors who had not been peer reviewed should be concentrated on. Jim Campbell will make a recommendation to the Council on the peer review process.

Ralph Bonner

Election of FMSIC Chairperson-Elect

- Paul Grefenstette was elected to this position by the Council.

Jim Lopez

Cost Estimating Volunteers

- Individuals interested in volunteering for the cost estimating team should have their names submitted to Jim Lopez.

Brian Morishita

Next Year's FMSIC/BRC Annual Conference

- Next year's conference will be located at either the Washington, D.C. area, Atlanta, or St. Louis. Need to locate it convenient for Washington, D.C. based speakers.

Ralph Bonner

Next FMSIC Meeting

- The next FMSIC meeting will be in either Salt Lake City, San Diego or San Francisco during the last week of July. A BMIS Phoenix update meeting will be scheduled for the next day.